

Message Text

CONFIDENTIAL POSS DUPE

PAGE 01 JAKART 06089 200954Z

14-11

ACTION EB-07

INFO OCT-01 EUR-12 EA-06 ISO-00 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FRB-03 PA-01 PRS-01 /101 W

----- 102431

R 200910Z MAY 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 8253

INFO AMEMBASY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY CANBERRA

AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

AMCONSUL MEDAN

AMCONSUL SURABAYA

C O N F I D E N T I A L JAKARTA 6089

E.O. 11652: GDS

TAGS: EMIN EFIN ID

SUBJECT: REPATRIATION OF EXPORT EARNINGS AS KEY

ISSUE IN SHELL-BATUBARA PRODUCTION-SHARING

NEGOTIATIONS FOR MAJOR COAL MINE

REF: JAKARTA A-48 (NOTAL)

1. SUMMARY. RELIABLE REPORTS INDICATE GOI
INSISTENCE ON FULL REPATRIATION OF EXPORT EARNINGS
FROM COAL MINING PROJECT THREATENS PRODUCTION-
SHARING CONTRACT NEGOTIATIONS BETWEEN SHELL MIJNBOW
AND STATE COAL-MINING ENTERPRISE P. N. BATUBARA. THIS
SAME ISSUE PRINCIPALLY RESPONSIBLE FOR FAILURE TO
OBTAIN ANY NEW MAJOR MINING VENTURES IN INDONESIA

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 JAKART 06089 200954Z

UNDER CONTRACTS OF WORK SINCE JUNE 1972 SOME CABINET
FIGURES ALSO ALLEGEDLY URGING THAT "FULL REPATRIATION"

PROVISIONS BE INSERTED IN EXISTING MINING CONTRACTS
OF WORK. END SUMMARY.

2. MINING COMMUNITY ATTENTIVELY WATCHING PRODUCTION-
SHARING NEGOTIATIONS BETWEEN SHELL MIJNBOUW N. V. AND
INDONESIAN STATE COAL ENTERPRISE P.N. BATURARA COVERING
DEVELOPMENT OF MAJOR COAL MINE IN SUMATRA. IT WAS HOPED
PRODUCTION-SHARING APPROACH MIGHT CIRCUMVENT POLICY
IMPASSE THAT HAS ARRESTED FLOW OF NEW MAJOR MINING CON-
TRACTS SINCE JUNE 1972. NOW APPEARS HOWEVER THAT ONE
OF PRINCIPAL ISSUES IN "THIRD-GENERATION" CONTRACT OF
WORK CONTROVERSY MAY ALSO STYMIE NEW MINING DEVELOPMENT
UNDER THE PRODUCTION-SHARING FORMULA.

3. IT IS RELIABLY REPORTED THAT PRESIDENT SUHARTO HAS
COME DOWN ON SIDE OF THOSE WHO INSIST THAT PRODUCTION
SHARING, LIKE "THIRD GENERATION" CONTRACTS OF WORK,
REQUIRE FULL SURRENDER OF EXPORT SALES PROCEEDS TO
INDONESIAN BANKING SYSTEM. THIS IS SO EVEN THOUGH
PRODUCTION-SHARING CONTRACTS FOR PETROLEUM EXPLORATION
AND PRODUCTION DO NOT INCLUDE THIS REQUIREMENT. LOCAL
MINING INDUSTRY OBSERVERS DOUBT THAT FOREIGN PRIVATE MINING
INTERESTS CAN BE INDUCED TO MAKE MAJOR NEW INVESTMENTS
IN INDONESIA SO LONG AS GOI CLINGS TO THIS PRINCIPLE.
GOI ALLEGEDLY ATTACHES SUCH IMPORTANCE TO "FULL-SURRENDER"
PRINCIPLE THAT ITS PROPONENTS IN GOI HAVE SUGGESTED
IMPOSITION ON HOLDERS OF EXISTING MINING CONTRACTS
OF WORK.

4. EMBASSY POUCHING AIRGRAM WHICH SUMMARIZES SHELL-
BATUBARA AGREEMENT AND REMAINING DIFFERENCES.
NEWSOM

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRODUCTION, EXPORTS, COAL MINING, NEGOTIATIONS, EARNINGS, JOINT VENTURES
Control Number: n/a
Copy: SINGLE
Draft Date: 20 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: johnsorg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975JAKART06089
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750176-0878
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750536/aaaabgos.tel
Line Count: 93
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 JAKARTA A-48
Review Action: RELEASED, APPROVED
Review Authority: johnsorg
Review Comment: n/a
Review Content Flags:
Review Date: 10 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 JUN 2003 by KelleyW0>; APPROVED <18 NOV 2003 by CunninFX>; APPROVED <18 NOV 2003 by johnsorg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REPATRIATION OF EXPORT EARNINGS AS KEY ISSUE IN SHELL-BATUBARA PRODUCTION-SHARING
TAGS: EMIN, EFIN, ID, SHELL OIL, P N BATUBARA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006